

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

PUBLIC UTILITIES COMMISSION
Investigation of Stranded Costs, Transmission
and Distribution Utility Revenue Requirements,
and Rate Design of Bangor Hydro-Electric
Company - Phase II

REVISED STIPULATION

Docket No. 97-596

The purpose of this Stipulation is to resolve all outstanding issues in this proceeding. The undersigned parties hereby agree to the following:

1. November 24th Order. This Stipulation is intended to address the Phase II issues that arose out of the Commission's Order in this case dated November 24, 1999. Unless otherwise indicated, this Stipulation is based upon and consistent with the findings and conclusions contained in the November 24th Order.

2. Revenue Requirement. The jurisdictional revenue requirement for BHE for the rate year commencing March 1, 2000 is \$103,178,972, as shown on Attachment 1. Schedule P-6-1 showing BHE's electric rate revenues for the rate effective year is also attached. Rate schedules shall be promptly filed with the PUC for final approval which reflect this total revenue requirement.

3. Inter-class Rate Design. Rates for service commencing on or after March 1, 2000 shall be based on the top-down methodology as explained in the November 24th Order. The percentage reduction for each rate class is shown on Attachment 2. For the purpose of implementing the top-down methodology, the following generation rates were used: \$0.041/kWh for the D-5 class; \$0.043/kWh for the D-4 class, and \$0.045/kWh for all other classes. Finally, to offset the increase from \$0.045 per kWh to \$0.049 per kWh in the standard offer rates for the D-1 and D-2 classes established under Docket No. 99-111, the revenues allocated to those two classes were reduced by an offsetting amount: \$1,033,882 for D-1 and \$241,876 for D-2.

4. Intra-class Rate Design. There shall be no change in customer charges or demand charges. The reduction for each class shall be achieved by reducing current bundled energy charges. For those classes with time-of-use or seasonally differentiated energy charges, each energy charge for each time period shall be reduced "across-the-board" by the same percentage. For the D-3 class, current bundled energy charges shall be reduced by the same percentage as used to reduce current bundled energy charges for the D-4 class. The rates are set forth in

Attachment 2A. The parties agree that the Company may restrict the D-1 and D-2 customer classes to those customers with applicable demands of below 500 kW unless such customers were members of said classes on or before February 18, 2000.

5. Amortization. The amortization schedule of certain accounts will take place as set forth in Attachment 3.

A. Amortization of Ultrapower QF Buyout. The existing straight line amortization of the Ultrapower QF Buyout equal to \$1,420,038.32 per month that continues through June 30, 2005 shall be modified to provide an amortization of \$1,420,038.32 per month through December 31, 2004 and an amortization of \$710,019.16 per month for the period January 1, 2005 through December 31, 2005. The unamortized balance shall continue to receive rate base treatment.

B.

Amortization of Gain on Sale of Generating Assets. The gain on the sale of generating assets shall be amortized from March 1, 2000 through December 31, 2005 on an uneven basis as shown on Attachment 4. Since the accelerated use of the available value during the first two years increases BHE's revenue requirement in future years, such increases may be mitigated by altering the amortization schedule of BHE's other regulatory assets, including the Ultrapower amortization described in paragraph A of this section. The amount of such alteration, if any, will be determined in a future rate proceeding, including a proceeding pursuant to 35-A M.R.S.A. Section 3208(6). In the event the Ultrapower amortization schedule is adjusted in such future ratemaking proceeding, the so-called "Ultrapower Adjustment" adopted by the Commission in its Order dated May 9, 1995 in Docket No. 95-109 shall be calculated using the amortization schedule described in subparagraph A above, thereby holding BHE's investors harmless from any incremental unamortized balances resulting from the extension of the Ultrapower amortization schedule. As a result of the reduction to the T&D rates of the D-1 and D-2 rate classes in this proceeding that is intended to offset the increased standard offer rate for these classes established by the Commission in Docket No. 99-111, the parties agree that the relative rates of these classes may be modified in a future rate proceeding to reflect a reduced amount of available value to these classes in order to ensure that all classes receive a reasonable share of such available value

6. Accounting Orders. The parties agree that certain costs and revenues cannot be determined with reasonable certainty at this time. In order to assure that ratepayers receive the full benefits of future revenues and pay the full cost of providing service, the Company is hereby authorized to defer, to the extent there is no finding of imprudence, the following revenues and expenses, including carrying costs, for recovery in a future rate proceeding, including, any proceeding pursuant to 35-A M.R.S.A. § 3208(6) for those revenues and expenses which qualify as stranded cost items, to the extent such amounts differ from the estimated amounts of the corresponding specific revenue and expense items reflected in the total revenue requirements in Section 2.

- A. Interim Savings from the Asset Sale. Actual replacement power costs through February 29, 2000 included in the calculation of the Interim Savings from the Asset Sale, including any retroactive modifications to charges such as those proposed in the protest filed at the FERC on February 1, 2000 in Dighton Power Associates Limited Partnerships, et al. v. ISO New England, Docket No. EL00-40-000.
- B. Chapter 380 DSM Expenses. DSM assessments and expenses incurred as a result of the State Planning Office recommendation pursuant to 5 M.R.S.A. § 3305-B. The undersigned agree that what is currently assumed in BHE's jurisdictional revenue requirement is the minimum amount permitted under the foregoing statute, which is 0.5% of BHE's T&D revenue requirement.
- C. Standard Offer. Any over- or under-collection of costs related to the provision of standard offer service according to the terms of Docket No. 99-111.
- D. Graham Station Units 4 and 5. The actual costs and revenues associated with the pending sale of Graham Station Units 4 and 5. BHE's current revenue requirement currently assumes that no revenues will be received by BHE during the rate effect year.
- E. PERC Warrants. The costs associated with the exercise of rights under the PERC stock warrants made after January 20, 2000.
- F. Restructuring. The actual extraordinary expenses that were incurred in preparing for restructuring as authorized in the Commission's September 8, 1999 Accounting Order in this proceeding. As reflected in Exhibits B/D-SC-6-9 and B/D-SC-6-13 (attached hereto as Attachment 5), in calculating the jurisdictional revenue requirement for BHE described in Paragraph 2 above, the parties assumed total deferred costs of \$244,137 related to the special Consumer Education Assessment and \$1,318,465 related to Deferred Cost Associated with System and Other Changes Related to the Advent of Retail Competition and amortized those costs over three (3) years.
- G. Unbundled Special Rate Agreements. As indicated in the Commission's November 24, 1999 Order in this proceeding, BHE has a number of special rate contracts with customers which extend beyond March 1, 2000. For those contracts which call for bundled service ("category 1

contracts”), the parties understand that such contracts must be renegotiated pursuant to 35-A M.R.S.A. § 3204(10) in order to determine an unbundled price for transmission and distribution service.

There is also a second group of contracts, which are those bundled contracts included in the Company’s filing which expire prior to March 1, 2000 (“category 2 contracts”). As described in the November 24 Order in this proceeding, BHE must determine going forward whether to continue offering these customers discounts for T&D service.

(i) In the November 24, 1999 Order, the Commission established February 1, 2000 as the deadline by which it would determine the general reasonableness of contractual T&D rates negotiated pursuant to such contracts. For category 2 contracts, this was to include a preliminary review of each customer’s competitive options according to the terms set forth in the Order. Regarding category 1 contracts, the Commission would focus its review on the customer’s due diligence in procuring competitive generation services. However, because of delays in the procurement activities of such customers, partly as a result of the Commission’s decision in Docket No. 99-111 to reject standard offer bids for BHE’s territory and assign BHE the role of default standard offer provider, BHE has been unable to meet the February 1, 2000 deadline. Consequently, the undersigned agree that the summary review contemplated above will not need to occur.

(ii) Currently, the parties have assumed that BHE will receive \$10,058,946 in non-core T&D revenues related to its category 1 and category 2 contracts. For those contracts for which T&D revenues have not yet been determined, the revenues incorporated within BHE’s revenue requirement in Section 3 were determined in part by (1) backing out from current rates each customer’s expected generation service costs as shown on CW-PH2-3, attached hereto with Attachment 3, and (2) by making certain estimates regarding the unbundled T&D rate for those contracts whose rate varies according to certain indices or other currently unknown measures.

(iii) The undersigned further agree that any difference between estimated T&D rates set forth in paragraph (ii), and those rates actually charged by BHE after March 1, 2000 pursuant to either category 1 or 2 contracts, including carrying costs, will be deferred for future recovery as part of BHE's jurisdictional revenue requirement.

H. Gain on the Sale of Gas Pipeline Easements. The revenues received by BHE from the sale of natural gas pipeline easements shall be deferred to the extent similar revenue received by CMP has been deferred for ratemaking purposes.

PROCEDURAL MATTERS

7. The parties to the Stipulation hereby waive any rights that they have under 5 M.R.S.A. §9062(4) and Section 742 of the Commission Rules of Practice and Procedure to the extent necessary to permit the Advisory Staff to discuss this Stipulation and the resolution of this case with the Commissioners at the Commission's scheduled deliberations, without providing to the parties an Examiners Report or the opportunity to file Exceptions.

8. The record on which the parties enter into this Stipulation and on which the Commission may base its determination whether to accept and approve this Stipulation shall consist of all prefiled testimony and exhibits, and all documents and information provided in responses to written and oral data requests and any other material furnished by the Advisory Staff to the Commission, either orally or in writing, to assist the Commission in deciding whether to accept and approve this Stipulation.

9. This Stipulation shall not be considered legal precedent, nor shall it preclude a party from raising any issues in any future proceeding or investigation on similar matters subsequent to this proceeding.

10. This Stipulation represents the full agreement between the parties to the Stipulation and rejection of any part of this Stipulation constitutes a rejection of the whole.

11. If not accepted by the Commission in accordance with the provisions hereof, this Stipulation shall not prejudice the positions taken by any party before the Commission in this proceeding and shall not be admissible evidence therein or in any other proceeding before the Commission.

Respectfully submitted this day of February, 2000

OFFICE OF THE PUBLIC ADVOCATE

By: _____

INDUSTRIAL ENERGY CONSUMERS GROUP

By: _____

BANGOR HYDRO-ELECTRIC COMPANY

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By: _____